

## Message Text

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PAGE 01 STATE 029428  
ORIGIN TRSE-00

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 FEA-01 AGRE-00  
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01  
INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05  
CIEP-01 SS-15 STR-04 ITC-01 USIA-06 PRS-01 SP-02  
OMB-01 XMB-02 /110 R

TREASURY

DRAFTED BY TREASURY:M.RYSS  
APPROVED BY EB/IFD/ODF:JABWINDER

TREAS:D.KLOCK  
EXIM:S.GOODMAN  
STATE:F.THOMAS  
COMMERCE:R.LEE  
STATE:R.MEYER (PARAS 3 AND 4)  
COMMERCE:H.BRATT(PARAS 3 AND 4)  
EUR/RPE:RBRESSLER  
STR:B.WILSON (PARAS 3 AND 4)

-----100634Z 119846 /15

R 092043Z FEB 77  
FM SECSTATE WASHDC  
TO AMEMBASSY PARIS  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
USMISSION EC BRUSSELS  
AMEMBASSY DUBLIN  
AMEMBASSY TOKYO  
AMEMBASSY COPENHAGEN  
USMISSION GENEVA  
AMEMBASSY LONDON  
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PAGE 02 STATE 029428

AMEMBASSY LUXEMBOURG  
USMISSION OECD PARIS  
AMEMBASSY OTTAWA  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE

C O N F I D E N T I A L STATE 029428

E.O. 11652:

TAGS:

SUBJECT:EXPORT CREDITS: EC COMPETENCY ISSUE AND EXPORT  
INFLATION INSURANCE

REF (A) EC BRUSSELS 0815 (B) BONN 1077 (C) EC BRUSSELS  
12213

1. AS REFTELS INDICATE, RESOLUTION OF EC COMPETENCY ISSUE  
RESTS PRIMARILY ON FRENCH. WE ATTACH IMPORTANCE TO EARLY  
ACTION BY EC ON COMPETENCY ISSUE SO THAT FURTHER ACTION CAN  
BE TAKEN IN EXPORT CREDITS AREA, OR, AS A MINIMUM, PROVIDE  
FOR A CONTINUATION OF PRESENT CONSENSUS. ACCORDINGLY WE  
BELIEVE A DEMARCHE ON THIS ISSUE BY EMBASSY  
IS APPROPRIATE AT THIS TIME.

2. EMBASSY SHOULD NOTE THAT USG NOT RPT NOT TAKING SIDES  
IN DISPUTE BETWEEN COMMISSION AND MEMBER STATES BUT DOES  
STRESS NEED FOR WORKABLE SOLUTION WHICH WOULD PERMIT  
NEGOTIATION ON A MEANINGFUL INTERNATIONAL AGREEMENT.

3. ON RELATED ISSUE OF FRENCH EXPORT INFLATION INSURANCE  
SCHEME WHICH PRESENTLY UNDER CONSIDERATION BY GATT WORKING  
PARTY, EMBASSY AT SAME TIME SHOULD EXPRESS HOPE THAT GOF  
WILL TERMINATE THIS SCHEME IN NEAR FUTURE. YOU MIGHT NOTE

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PAGE 03 STATE 029428

THAT CONTINUED MAINTENANCE CREATES PRESSURE ON OTHER  
GOVERNMENTS TO EMULATE FRENCH SYSTEM, MOST NOTABLY THE UK.  
THE UK HAS ALREADY DECIDED TO OBTAIN PARLIAMENTARY APPROVAL  
FOR EXTENSION ITS SCHEME, AND US EXPORTERS ARE PRESSING FOR  
SUCH A SCHEME. FURTHER, A STAFF REPORT OF THE HOUSE  
SUBCOMMITTEE ON INTERNATIONAL TRADE, INVESTMENT AND  
MONETARY POLICY HAS RECOMMENDED THAT QUOTE THE US SHOULD  
ATTEMPT TO PERSUADE THE BRITISH AND THE FRENCH TO DROP  
THESE PROGRAMS, BUT, AS A LAST RESORT, SHOULD BE PREPARED  
TO ADOPT SIMILAR SERVICES ITSELF TO PREVENT OTHER  
COUNTRIES FROM GAINING A COMPETITIVE ADVANTAGE UNQUOTE.  
PROLIFERATION OF SCHEMES WOULD NOT ONLY BE COSTLY IN  
BUDGETARY TERMS BUT UNDESIRABLE WAY TO DEAL WITH ADJUST-  
MENT PROCESS AND INTERNATIONAL COOPERATIVE EFFORTS NEEDED  
DURING COMING YEAR.

4. THE US POSITION AT THE GATT WP MEETING IN NOVEMBER WAS  
THAT INFLATION INSURANCE SCHEMES (A) INTRODUCE DISTORTIONS  
IN THE INTERNATIONAL TRADE IN CAPITAL GOODS BY GIVING  
BENEFICIARY EXPORTERS SUBSTANTIAL BIDDING ADVANTAGES,  
(B) ARE EXPORT SUBSIDY INCONSISTENT WITH GATT ARTICLE XVI,

AND (C) THEY SHOULD BE TERMINATED.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORTS, CREDIT, INFLATION, INSURANCE  
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**Decapton Date:** 01-Jan-1960 12:00:00 am  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE029428  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** M.RYSS  
**Enclosure:** DC ADJUSTED PER THOMAS/CHICHESTER TELCON  
**Executive Order:** AS 19800209  
**Errors:** N/A  
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**Litigation Codes:**  
**Litigation History:**  
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**Message ID:** 50c918c9-c288-dd11-92da-001cc4696bcc  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
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**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 EC BRUSSELS 815, 77 BONN 1077, 77 EC BRUSSELS 6  
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**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**TAGS:** ETRD, US, XT, EEC  
**To:** PARIS  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009